

AUDIT COMMITTEE
Minutes - Meeting of March 27, 2013
3:30 p.m., First Floor Meeting Room, Town Hall

COMMITTEE MEMBERS IN ATTENDANCE: Douglas Slaughter (Finance Committee rep), Katherine Appy (School Committee rep) Robert Pam (Library Trustees rep), Diana Stein (Select Board rep). Brian Harvey (at large rep) attended via conference call.

COMMITTEE MEMBERS ABSENT: None.

STAFF AND OTHERS IN ATTENDANCE: School Business Manager Rob Detweiler , Finance Director Sandy Pooler, Comptroller Sonia Aldrich, Pat Squillante, independent auditor from Melanson Heath and Company, PC.

DISCUSSION:

The Town's independent auditor Pat Squillante, from the CPA firm of Melanson Heath and Company, PC reviewed the Annual Financial Statements for the fiscal year ending June 30, 2012.

- Pat praised the Town for having an Audit Committee and said the communities with audit committees generally have fewer financial problems. She stated that there were no correcting entries and our numbers were accurate.
- Pat explained that the Government-wide financials present the Town's activities as if it were a private business. This affects the treatment of debt and assets differently than how we normally think of these things. For example, when we borrow to acquire something, it becomes an asset immediately, and then is depreciated over time.
- Pat reviewed the financials, focusing on the Management Discussion and Analysis section of the audit document and the following key numbers.
 - Free Cash as about \$4.3 million
 - Undesignated Fund Balance at \$5 million is about 8% of revenue, a healthy number.
 - Stabilization fund, \$2 million, about 3% of revenue, plus we added more later on in 2012.
 - The Town expended approximately \$1.2 million from reserves (free cash) for snow and capital items.
 - Health Care Trust Fund is at \$5.5 million surplus balance, plus an IBNR of \$1million. We have approximately \$11 million in annual claims, so our fund balance is about 50% of our operating costs.
 - Our tax collection rate is "fantastic". We are liening on time. Lien balance is low, \$760,000, less than 2% of one year's levy.

- There were no significant deficiencies or material weaknesses.
- There was also general discussion of OPEB;
 - Putting aside some funds is better than not putting anything aside, even if we do not meet our ARC (annual required contribution).
 - The ARC minus our annual Pay As You Go payment equals our annual Net Liability.
 - Our OPEB liability has started to show up on our balance sheet.
- The Committee decided the auditors would spend time reviewing the After School program for suggestions for improvements in our internal operations.
- The Committee discussed the differences between the reporting of budget versus actual activity, which shows a “surplus” of \$1,853,299 and the Free Cash increase of \$159,473 that the State certified at the end of FY12. Pat pointed out that the audited report and the Free Cash calculations are done differently and show different things. The audited financials show that we matched our expenditures with sources, such as reserves and do not show how those reserves, notably Free Cash, decline when we spend them.
- Pat also discussed the new GASB standard coming into effect for 2015. GASB 68 relates to Pension liability such as OPEB. It will require that each member municipality record their share of that liability on the balance sheet.
- The Committee reviewed the Management Letter, which outlined suggestions for improvements in our internal operations, and management response, including changes in procedures that occurred during after the audit period. The Management Letter is a useful tool and is intended to identify opportunities to strengthen internal controls to reduce risk and enhance operating efficiency. Findings are summarized along with recommendations for improvements. These comments are followed up on in the subsequent year, and if no action has been taken by Town staff to improve procedures, they are repeated in the subsequent year’s audit.
- Management letter issues were either resolved or likely to be resolved this year.

MINUTES PREPARED BY: Sonia Aldrich, Comptroller and Sandy Pooler, Finance Director.